Respondent's challenge to questions 2 and 3 is bottomed on an alleged difference between "mere" delay and "unreasonable" delay and suggests that an unreasonable delay involves something more than the passage of time. It is abundantly clear that the rule applied by the Court of Appeals involved only a consideration of the length of the delay and involved no consideration whatsoever as to the effect the delay had on the defendant. This is what petitioner means when it states that the Court of Appeals presumed damage by the "mere" passage of time.

Respondent, apparently sensing the basic defect in the "presumption of damage" rule announced and followed by the Court of Appeals, argues in its brief (p. 5-6) that that District Court made fingings that would support a contention that:

> "Even if damage had not been presumed, proof of damage is ample".

Petitioner's response to this argument is two-fold. First, respondent's alleged "proof of damage" is immaterial to this petition since the Court of Appeals placed no reliance on any such proof but instead simply presumed damage because the delay exceeded six years. It is also noted that the testimony relied on by respondent as proof of damage was specifically rejected by the District Court and never mentioned by the Court of Appeals.

Secondly, the particular testimony referred to by respondent does not in any way constitute proof that defendant was damaged by plaintiff's delay. Respondent refers to the testimony by Mr. Watry, one of the three co-inventors of the patent in suit. Mr. Watry's testimony was introduced at trial to support two of respondent's

defenses (improper joinder of inventors and unclean hands) both of which were considered and rejected by the District Court. The District Court, in rejecting the defenses noted (A-36) that Mr. Watry had difficulty remembering details leading up to the patent in suit and for this reason was hesitant to state that he was an inventor. It was this hesitancy due to poor memory upon which respondent relied to argue that Watry was not a true inventor. Thus, contrary to what respondent would have this Court believe, the delay involved in the Watry testimony actually tended to work to respondent's benefit.

Respondent also makes reference to the testimony of petitioner's president (A-3) that in 1961 he learned that respondent had enlarged its line of pitless adapters. Here again there is no mention of this testimony by the Court of Appeals. Clearly, the District Court did not consider it evidence of damage since the District Court specifically found to the contrary.

Finally, reference is made to respondent's sales and employment figures which showed moderate increases over the years. This evidence wasn't mentioned by either the District Court or the Court of Appeals. The evidence was not supported by any explanatory testimony tending to show how the sales and employment figures bore a relationship to respondent's allegation that it was damaged by the delay.

SUPPLEMENTAL FACTS IN SUPPORT OF PETITION

Petitioner, since the filing of its petition, has discovered certain facts which provide further support for the petition herein.

Reference is made first to the case of *George H. Butterfield, Sr. v. Oculus Contact Lens Company, Inc.*, Civil Action No. 69-C-1812 (and related cases) pending in the United States District Court for the Northern District of Illinois, Eastern Division. This is a patent case which involves 39 separate defendants consolidated for trial under the Multi-District Litigation Statute (28 U.S.C. §1407).

Shortly before trial, defendants, relying on the Court of Appeals decision below, filed a motion to amend the Final Pretrial Order to provide that the defense of laches may be asserted in behalf of all the defendants. A copy of the motion and the proposed order submitted therewith is reprinted in the Appendix hereto. Of particular interest, is defendants' reply memorandum which is also reprinted in the Appendix. The memorandum points out that the ground for the motion is the decision below and in so doing, characterizes such decision as "greatly liberalizing the law of this Circuit with respect to laches in patent cases." The motion was resolved by stipulation of the parties wherein it was agreed that the defense of laches would not be asserted in the trial commencing on November 16, 1970, but that the defendants shall be free to assert the defense in any subsequent trial that may be conducted. A copy of this stipulation is reprinted in the Appendix.

Reference is also made to a recent decision filed January 22, 1971 in the case of *Continental Coatings Corporation v. Metco Inc. et al*, Civil Action No. 68-C-1320, in the United States District Court, Northern District of Illinois, Eastern Division. As indicated in the decision reprinted in the Appendix hereto, the defendant moved for summary judgment dismissing the action on

the grounds of laches. The Court, relying solely on the Court of Appeals decision below, presumed injury to the defendant and granted the motion. In so doing it rejected previous decisions noting that the *Baker* case was now the law of the district.

From the foregoing it is seen that the decision below has already had a substantial impact on other Federal Court litigants.

Respectfully submitted,

PAUL R. PUERNER
626 East Wisconsin Avenue
Milwaukee, Wisconsin 53202

Counsel for Petitioner.

Dated: February 8, 1971

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

GEORGE H. BUTTERFIELD, SR.,
Plaintiff,

v.

OCULUS CONTACT LENS COMPANY, INC.,
Defendant.

Civil Action
No. 69-C-1812
(and related cases)

NOTICE

TO: Hamilton Smith, Esq.
McDermott, Will & Emery
111 West Monroe Street
Chicago, Illinois 60603
Attorney for Plaintiff

Sir:

PLEASE TAKE NOTICE that on Wednesday, October 21, 1970, at 10:00 o'clock in the morning or as soon thereafter as counsel may be heard, we shall appear before the Honorable Hubert L. Will, United States District Judge, in his court room at 219 South Dearborn Street, Chicago, Illinois, and shall then and there present our motion for amendment of the Final Pre-Trial Order herein in accordance with the draft order of which a copy is annexed hereto.

At which time and place you may be present if you so see fit.

DUGALD S. McDOUGALL
135 South LaSalle Street
Chicago, Illinois 60603
Tel.: 346-0338

CHARLES W. RUMMLER
7 South Dearborn Street
Chicago, Illinois 60603
Tel.: 236-3418
Attorneys for Defendants

Receipt of two copies of the above notice is acknowledged this 19th day of October, 1970.

Attorney for Plaintiff

ORDER

(Civil Action 69-C-1812 and related cases)
(Caption — Not Printed)

This cause having come on to be heard upon the motion of defendants to amend the Final Pre-Trial Order herein, so as to provide that the defense of laches may be, and is being; asserted in behalf of all the defendants, rather than only in behalf of defendant Contact Lens Service, Inc.; and

It appearing that since the entry of the Final Pre-Trial Order herein, the opinion of the United States Court of Appeals for the Seventh Circuit in *Baker Mfg. v. Whitewater Mfg. Co.*, Appeal No. 17,863, has been published (166 USPQ 463) and hence has come to the attention of counsel for the defendants; and

It further appearing that the Court of Appeals, in its aforementioned *Baker* opinion, has held that the putative right of action of a patentee who has delayed unreasonably; or in any event more than six years, in filing suit against an alleged infringer shall, prima facie, be barred by laches even in the absence of affirmative reliance by such accused infringer upon such failure to act, and that in such circumstances the burden is on the patentee to excuse such delay;

NOW, THEREFORE, in view of the facts and circumstances above recited, IT IS HEREBY ORDERED AND ADJUDGED THAT, to prevent manifest in-

justice, the defendants' motion to amend the Final Pre-Trial Order is granted; and said Order is hereby amended by deleting the present Paragraph 10 of the Statement Of All Uncontested Facts, which forms a part of said Final Pre-Trial Order, and substituting therefor a new Paragraph 10 which reads:

> "10. The defense of laches will be an issue at the trial with respect to all the defendants."

ENTER:

United States District Judge

DEFENDANTS' REPLY MEMORANDUM IN SUPPORT OF THEIR MOTION TO AMEND THE FINAL PRE-TRIAL ORDER

(Civil Action 69-C-1812 and related cases)

(Caption — Not Printed)

The matter at issue is a motion by defendants to so amend the Final Pre-Trial Order as to make the defense of laches an issue with respect to all the defendants. The ground for this motion, the Court will recall, is the decision of our Court of Appeals in *Baker Mfg. Co. v. Whitewater Mfg. Co.* (7 Cir., 1970), —— F. 2d ——, 166 USPQ 463, first published after the Final Pre-Trial Order had been entered.

Plaintiff's papers opposing the motion assert two grounds—first, that defendants' withdrawal of the laches defense as to all the defendants save one was part of a bargain between the attorneys for the respective parties, pursuant to which plaintiff voluntarily dismissed eleven of his cases; and, second, that trying the laches issue, were defendants' motion to be granted, would require

plaintiff to call many additional witnesses, some in Oregon, to explain away plaintiff's delay in filing suit.

With respect to plaintiff's first asserted ground, the defendants categorically deny that there was any "agreement", or "bargain" by which plaintiff's dismissal of eleven cases was undertaken in consideration of defendants' withdrawal of the laches defense as to all save one defendant. Mr. Rummler, who attended the conferences in question, is out of the city this week, but he expects to attend the hearing in this cause on November 2. Should the Court deem the issue material, Mr. Rummler will take the witness stand at that time and testify under oath that there never was any such bargain, agreement, or understanding.

Plaintiff's second asserted ground of opposition to defendants' motion is plainly without merit. Plaintiff has known all along that he would have to offer whatever evidence he had available "to explain the reasons for his delay in pursuing his rights under the patent law", since, as the pre-trial order now stands, the defense of laches *is* in the case with respect to defendant Contact Lens Service, Inc. (Case No. 69-C-2184). Offering such evidence against all the defendants, rather than against only one, will not add *anything* to plaintiff's trial burdens. His contention to the contrary deserves summary rejection.

Lacking in merit also is plaintiff's point that some of the defendants did not formally plead laches in their answers. Those defendants, plaintiff avers, should not be allowed to rely on laches now "without a showing of good cause". Defendants agree, but submit that ample cause is provided by the appearance, after the pre-trial order herein was signed, of the *Whitewater* decision

greatly liberalizing the law of this Circuit with respect to laches in patent cases.

Conclusion

Plaintiff has failed, we respectfully submit, to bring forward *any* legitimate reason for denying defendants' motion to amend the Final Pre-Trial Order. Should the Court feel, however, that any of plaintiff's asserted grounds has such merit as to require denial of defendants' present motion, then defendants respectfully ask that the Court's order denying defendants' motion include a provision that nothing in the pre-trial order shall be deemed to estop or otherwise bar the defendants herein (apart from Contact Lens Service, Inc.) from raising laches as a defense at any subsequent trial that may take place in these actions. (The present trial, the Court will recall, is only on limited issues, and a further trial involving at least the issues of infringement and damages must be held in the event that plaintiff's claims should "survive" the forthcoming trial in which the issues of validity, notice, and marking will be resolved.)

Such an order by the Court would preserve for the defendants their rights under the *Whitewater* case without inconveniencing plaintiff or his counsel in the least degree, so far as the forthcoming trial is concerned.

Defendants' motion should, we submit, be granted. Should the Court decide that it should be denied, how-

ever, defendants ask that it be on the terms proposed in the preceding paragraphs.

Respectfully submitted,

s Dugald S. McDougall
Dugald S. McDougall
135 South LaSalle Street
Chicago, Illinois 60603
Tel.: 346-0338

Attorney for Defendants

STIPULATION

(Civil Action 69-C-1812 and related cases)
(Caption — Not Printed)

It is hereby stipulated by and between the parties hereto, through their respective counsel, as follows:

That Defendants withdraw their Motion to Amend the Final Pretrial Order filed on October 19, 1970.

That Defendant CONTACT LENS SERVICE, INC., No. 69-C-2184, hereby agrees that in the trial commencing on November 16, 1970, the defense of laches will not be asserted.

That in consideration of the above, Plaintiff agrees that all of the Defendants shall be free to assert the defense of laches in any subsequent trial that may be conducted herein.

That Defendants' Request for Admissions from Plaintiff filed October 19, 1970, is hereby withdrawn.

Dated: November 2, 1970.

MELVIN M. BELLI
ROBERT L. LIEFF
DONALD N. MAC INTOSH
HAMILTON SMITH

By _____
ROBERT L. LIEFF
Attorneys for Plaintiff

DUGALD S. MC DOUGALL
CHARLES W. RUMMLER

By _____
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IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

CONTINENTAL COATINGS CORPORATION, and Illinois corporation,

Plaintiff,

vs.

METCO, INC., a New Jersey corporation, F. H. AYER MFG. CO., INC., an Illinois corporation, and U. S. METALLIZING & WELDING CORP., an Illinois corporation,

Defendants.

Civil Action No.

68 C 1320

MEMORANDUM OPINION ON DEFENDANT'S MOTIONS FOR SUMMARY JUDGMENT

This is a patent infringement brought by Continental Coatings Corporation (Continental), an Illinois corporation, against Metco, Inc. (Metco), a New Jersey corporation, and two of Metco's customers, F. H. Ayer Mfg. Co. (Ayer) and U. S. Metallizing & Welding Corp. (MW), both of which are Illinois corporations. The patent in the suit, U. S. Letters Patent No. 2,904,449 (Bradstreet Patent) is entitled "Method and Compositions for Flame Spraying" and allegedly directed to a method for applying a coating of crystalline refractory oxide by a flame spray process. This patent was issued on September 15, 1959 to the Armour Research Foundation of Illinois Institute of Technology, Chicago, Illinois, now known as the IIT Research Institute (IIT). Originally, Continental was an exclusive licensee under the patent. Subsequently IIT assigned the Bradstreet patent to Continental.

Defendant has filed two motions for summary judgment. The first seeks dismissal of the Complaint following declaration that patent claims 1, 2, 6 and 8, the only claims allegedly infringed, are invalid. The second motion seeks dismissal following a determination that the patent is unenforceable by reason of laches in that the delay in bringing the present action was unreasonable and unexplainable.

Essentially, summary judgment is appropriate where there is no substantial factual controversy requiring a trial and one party is entitled to prevail as a matter of law. *Chicago Joint Board v. Chicago Tribune*, 307 F. Supp. 442, 424 (N.D. Ill. 1969). Although perhaps invoked less often than in other areas, *John Wood Co. v. Metal Coating Co.*, 144 U.S.P.Q. 402, 403 (N.D. Ill. 1965), summary judgment is applicable in appropriate patent cases. See, e.g., *Morton Salt v. Suppiger Co.*, 314 U.S. 488 (1942); *A R Inc. v. Electro-Voice, Inc.*, 311 F. 2d 508 (7th Cir. 1962); *Central Specialties v. Schaefer*, 165 U.S.P.Q. 15 (N.D. Ill. 1970).

On the laches issue, at least, the essential facts in this cause are not in dispute. The Bradstreet Patent was issued on September 15, 1959. Although, as exclusive licensee, it was in a legal position to bring suit against Metco, which never conceded the patent's validity and had declined for over three years to become a licensee, Continental delayed such action because of uncertainty regarding who was infringing and because it "wanted to wait to have some commercial success with the invention before proceeding against infringers." (Def.'s Laches Memorandum Ex. 11, at 3-4). However, shortly thereafter, on November 17, 1960, ITT sent notices of infringement to Daman Industries (*Id.* Ex. 4) and El-

dorado Manufacturing Co. (*Id.* Ex. V), both of which replied with an indication that the matter had been referred to Metco. Subsequently, Metco expressed its strong feeling that the patent was invalid and told IIT that Metco would hold harmless any of its purchasers as to any possible infringement of the Bradstreet patent. (*Id.* Ex. VIII). Daman and Eldorado were held harmless by Metco. (*Id.* Exs. IX, X).

In May, 1963, IIT considered numerous companies, including defendant MW as potential infringers and began to learn about their processes.

Although IIT's attorney believed that "a law suit would be a meaningless expense," in March, 1964, IIT agreed to bring "at least one but not more than one infringement suit." (*Id.* Ex. II, at 7). Soon afterwards, IIT reconsidered suing Metco as a contributory infringer, (*Id.* Ex. VIII), and renewed its attempt to license Metco (*Id.* Ex. XIV), which effort was rejected by Metco on the grounds that the patent was invalid (*Id.* Ex. XV).

Defendant MW was among sixteen companies listed by IIT in July, 1964, as ones which may be infringing the Bradstreet Patent (*Id.* Ex. XVI). Later that year, offers to license and notices of infringement were sent out to at least 412 companies, none of which accepted a licensing agreement and some of which indicated that Metco held them harmless. (*Id.* Ex. II, at 7-8). Plaintiff, subsequent to this abortive licensing campaign, continued to urge IIT to sue for infringement of the Bradstreet Patent. (*Id.* Exs. XVII, XVIII, XIX).

By February, 1966, plaintiff believed that IIT was not interested in patent litigation, but that IIT wanted

to arrange a settlement with it. (*Id.* Ex. XX). Two years later, ITT paid plaintiff $75,000, assigned the Bradstreet Patent to plaintiff and cancelled their prior agreement.

Plaintiff claims its last contact with Metco was in July, 1965, and its last contact with Metco's customers was in March, 1966. This law suit was first filed by plaintiff in July, 1968. Thus, the facts clearly show that this action was not commenced until over seven years after Metco's customers received infringement notices and were held harmless and over three and one-half years after the mass notices of infringement were mailed. During all this time, even if the claim of infringement was not being abandoned, at no time, except for the aforementioned notices was Metco or any of its customers notified that the claim was being pressed. *Baker Mfg. Co.*, 430 F. 2d 1008, 1013 (7th Cir. 1970). As in *Baker*, we know of no demand for compensation which followed any notice of infringement. *Id.* at 1014. There is some evidence of sporadic talk, but no evidence of diligent action. Even accepting plaintiff's timetable, the initial program of notice and lack of perseverance was followed by a period of two or three years of total silence until the suit was filed.

Whatever conflicts may have existed respecting the doctrine of laches in this district, the latest and most complete statement of subject may be found in *Baker*. In that case, a patentee was barred by laches from claiming infringement where it had waited more than nine years after first giving defendant notice of its claimed patent infringement before bringing suit and where plaintiff had some correspondence concerning cross licensing during the early part of that period but remained silent for the final seven years. The Seventh Circuit held

that where there is unreasonable delay in bringing a patent infringement action, "the burden is on the patentee to excuse" such a delay and "under such circumstances there is a presumption that an alleged infringer has been damaged." *Id.* at 1009.

The instant action, in certain important areas, is quite similar to the *Baker* case. First, it appears that Continental and ITT were both aware of Metco's sales of refractory oxide flame spray powders to its customers, of Metco's refusal to obtain a license under the Bradstreet Patent because of invalidity, and of Metco's policy of holding its customers harmless from patent action regarding the Bradstreet suit. In spite of this awareness, however, Continental and ITT failed to attempt to establish their rights in the proper forum until almost nine years after the patent had issued, and Metco, at least, engaged in allegedly infringing activities.

Plaintiff has not satisfactorily met the burden, clearly stated in *Baker*, to assert a reasonable excuse for this delay. As noted, the initial delay was made to allow sufficient time to achieve some commercial success. Several years later, after the mass mailing campaign failed to produce licensees, another decision to delay suit was made on economic grounds.

> "Then while all was going on we got an estimate . . . and a simple little suit . . . would cost us about $50,000. And from no individual defendant could we expect to get anything near this amount in recovery. This I believe led to the management decision not to sue infringers." (Deft's Laches Memorandum, Ex. II, at 8.)

However, just as it was unreasonable for Baker to delay pursuing his claimed patent rights until litigation would

be worthwhile, so was it unreasonable for ITT and Continental to have delayed their suit. See *Baker Mfg. Co. v. Whitewater Mfg. Co.*, 430 F. 2d 1008, 1014-15 (7th Cir. 1970). As in *Baker*, plaintiff has not asserted that it was without means to finance a law suit. *Id.*

Under *Baker*, such unexcused delay raises a presumption that an alleged infringer has been injured. *Id.* at 1009. The operating theory is that the alleged infringer, having good reason to believe the patentee abandoned or at least considered worthless its claims, worked to build up his business. See *Id.* at 1011. This presumption has not been met, much less overcome, by plaintiff.

Moreover, in this case, the theory describes the fact. Defendant's Vice-President in charge of engineering has related a pattern of somewhat interrupted, but still long-term, growth for Metco's refractory oxide materials sold for flame spraying:

Year	*Total Pounds Sold*
1959	13,901
1960	16,928
1961	30,761
1962	29,194
1963	26,405
1964	32,425
1965	44,722
1966	86,323
1967	80,052

(Ingham Aff. in Support of Defendants' Laches Summary Judgment Motion, ¶ 3.) The sizable increases in 1961 and 1964 are especially interesting since during the former time Metco informed its customers that it would hold them harmless to infringement actions and during

the latter time that IIT conducted its unsuccessful mass notice and licensing campaign.

The cases upon which plaintiff relies pre-date *Baker*, and, therefore, are of little import. The most recent but still pre-Baker case cited is *Photon, Inc. v. Eltra Corp.*, 308 F. Supp. 133 (N.D. Ill. 1969). There the Court held laches inapplicable although the plaintiff had learned of the infringement seven years prior to bringing the suit. However, in that case, plaintiff indicated its intent to enforce its patent, defendant recognized some economic virtue to it, and both parties were engaged in settlement negotiations in an attempt to resolve their dispute without litigation. The instant situation presents neither the intent, the recognition, nor the negotiations found in the *Photon* case. Moreover, since *Baker*, the patent enforcer has a clear burden of excusing his delay and overcoming a presumption of injury, neither of which was accomplished here.

In conclusion, we find that plaintiff slept on its rights for an inexcusably prolonged period of time — almost nine years. During this period of non-pursuit, defendants' sales increased over six-fold. Under these circumstances and the *Baker* decision, the defense of laches is applicable to defendant Metco and its customers Ayer and MW, barring any relief sought by plaintiff. Summary judgment on the issues of laches is granted to defendants and denied to plaintiff. The cross-motions for summary judgment on the issues of validity and infringement become moot.

ENTER:

s/ Abraham L. Marovitz

Dated: this 22d day of January, 1971.